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CNPC (HONG KONG) LIMITED

(incorporated in Bermuda with limited liability)

中國(香港)石油有限公司*

(Stock Code: 00135)

**Connected Transaction
Disposal of Shares and Assignment of Loan**

The Board is pleased to announce that on 15 January 2010, SADL, a wholly-owned subsidiary of the Company, entered into the Agreement with COGCL to (i) dispose of 8,450 shares in CGL for the consideration of US\$9,500,000 (equivalent to approximately HK\$73,910,000); and (ii) assign and transfer the Vendor's Loan for the consideration of US\$1 (equivalent to approximately HK\$8);

Although COGCL is not a connected person of the Company, the transaction between SADL and COGCL involves SADL disposing of shares in CGL and assigning the Vendor's Loan, a company in which CNODC (a wholly-owned subsidiary of CNPC, which is the controlling shareholder of the Company) is currently one of the substantial shareholders, holding a 31.41% equity stake. As such, the Disposal and the Assignment constitute a connected transaction of the Company under Rule 14A.13(1)(b)(i) of the Listing Rules. However, since each of the applicable percentage ratios relating to the Disposal and the Assignment is less than 2.5%, under Rule 14A.32 of the Listing Rules, the Disposal and the Assignment are exempted from the independent shareholders approval requirements, but are still subject to the relevant reporting and announcement requirements under the Listing Rules.

A. DISPOSAL OF SHARES AND ASSIGNMENT OF THE VENDOR'S LOAN UNDER THE AGREEMENT

1. Date: 15 January 2010

2. Parties:

Purchaser: COGCL

Vendor: SADL

3. Shares to be Disposed and Loan to be Assigned:

Subject to the satisfaction of the condition precedents under the Agreement, SADL will dispose of 8,450 shares in CGL and assign the Vendor's Loan.

4. Consideration:

Pursuant to the Agreement, the consideration for the Disposal is US\$9,500,000 (equivalent to approximately HK\$73,910,000) and is payable in full by an electronic bank transfer in immediately available funds into SADL's bank account, details of which shall be notified by SADL to COGCL in writing at least 3 business days after execution of the Agreement.

The Agreement was negotiated and entered into on an arm's length basis and on normal commercial terms. The considerations for the Disposal and the Assignment under the Agreement were determined by the commercial negotiation among SADL and COGCL.

The net profit from the Disposal and the Assignment are expected to be approximately US\$9,000,000 (equivalent to approximately HK\$70,020,000). As provision for the 8,450 shares in CGL and the Vendor's Loan has been fully made by the Company before the date hereof, such net profit is based on the difference between the considerations of the Disposal and the Assignment and the projected expenses of the Disposal and the Assignment. It is intended that the net proceeds from the Disposal and the Assignment will be used as working capital of the Company.

The financial information of CGL is set out in the table below:

Audited net asset value of CGL attributable to the shares to be disposed of as at 31 December 2008	Audited net loss before taxation and extraordinary items of CGL attributable to the shares to be disposed of <i>(See Note below)</i>		Audited net loss after taxation and extraordinary items of CGL attributable to the shares to be disposed of <i>(See Note below)</i>	
	For the financial year ended 31 December 2007	For the financial year ended 31 December 2008	For the financial year ended 31 December 2007	For the financial year ended 31 December 2008
Negative US\$21,212,115 (equivalent to approximately negative HK\$165,030,255)	Loss US\$9,377,456 (equivalent to approximately HK\$72,956,608)	Loss US\$1,219,336 (equivalent to approximately HK\$9,486,434)	Loss US\$9,377,456 (equivalent to approximately HK\$72,956,608)	Loss US\$1,219,336 (equivalent to approximately HK\$9,486,434)

Note: The above financial figures were prepared in accordance with International Financial Reporting Standards.

5. Condition Precedents

The Disposal and the Assignment are conditional upon:

- (i) approval or deemed approval by SOCAR under the EDSPA being granted in connection with the proposed transfer of such shares, having regard to the provisions of the EDSPA; and
- (ii) the execution by SOCAR a release which is reasonably satisfactory to SADL in respect of the ultimate parent company guarantee issued by CNPC on 6 March 2003.

B. REASONS FOR AND BENEFITS OF THE DISPOSAL

The Disposal and the Assignment will help the Company to focus on its natural gas business development, a business which eventually will become the core business of the Company. In addition, further investment in CGL could post a high risk to the financial performance of the Company as the Company believes that CGL does not have short-term and medium-term exploration potential.

C. GENERAL INFORMATION

1. Principal Business Activities

a) The Company

The Company is an investment holding company. The principal activities of the Group are the exploration and production of crude oil and natural gas in the PRC, the Republic of Kazakhstan, the Sultanate of Oman, Peru, the Kingdom of Thailand, the Azerbaijan Republic and the Republic of Indonesia. The Group is also engaged in the city gas, vehicle fuel gas and related businesses in the PRC.

b) SADL

SADL is an investment holding company.

c) COGCL

COGCL is principally engaged in the exploration, development and production of crude oil.

The Board confirms that, to the best of its knowledge, information and belief after having made all reasonable enquiries, COGCL and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

2. Implications under the Listing Rules

Although COGCL is not a connected person of the Company, the transaction between SADL and COGCL involves SADL disposing of shares in CGL and assigning the Vendor's Loan, a company in which CNODC (a wholly-owned subsidiary of CNPC, which is the controlling shareholder of the Company) is currently one of the substantial shareholders, holding a 31.41% equity stake. As such, the Disposal and the Assignment constitute a connected transaction of the Company under Rule 14A.13(1)(b)(i) of the Listing Rules. However, since each of the applicable percentage ratios relating to the Disposal and the Assignment is less than 2.5%, under Rule 14A.32 of the Listing Rules, the Disposal and the Assignment are exempted from the independent shareholders approval requirements, but are still subject to the relevant reporting and announcement requirements under the Listing Rules.

The Board (including the independent non-executive Directors) believes that the terms of the Disposal and the Assignment contemplated under the Agreement (including the consideration) are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

D. DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Agreement”	the agreement dated 15 January 2010 entered into between SADL and COGCL, pursuant to which SADL agreed to dispose of 8,450 shares in CGL and assign the Vendor’s Loan to COGCL
“Assignment”	the assignment by SADL of the Vendor’s Loan to COGCL
“Board”	the board of Directors
“CGL”	Commonwealth Gobustan Limited, a company incorporated in Anguilla
“CNODC”	CNODC International Holding Limited, a company incorporated in the British Virgin Islands
“CNPC”	China National Petroleum Corporation (中國石油天然氣集團公司), a state-owned enterprise established under the PRC laws
“COGCL”	Commonwealth Oil & Gas Company Limited, a company incorporated in Anguilla
“Company”	CNPC (Hong Kong) Limited, a company incorporated with limited liability in Bermuda and the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Disposal”	the disposal by SADL of 8,450 shares in CGL to COGCL
“EDSPA”	the Agreement on the Exploration, Development and Production Sharing for Three Blocks of the South-West Gobustan of the Azerbaijan Republic dated 2 June 1998, entered into between SOCAR, CGL, Union Texas Gobustan Limited and Socar Oil Affiliate.
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	has the meaning ascribed to such term under the Listing Rules

“PRC”	the People’s Republic of China
“SADL”	Smart Achieve Development Limited, a company incorporated in the British Virgin Islands
“SOCAR”	the State Oil Company of the Azerbaijan Republic, a company incorporated in the Azerbaijan Republic
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Vendor’s Loan”	the loan advanced by SADL to CGL under and pursuant to the Vendor’s Loan Agreement, which as at the date hereof is in the amount of US\$28,997,725 (including interest)
“Vendor’s Loan Agreement”	the loan agreement entered into between SADL and CGL dated 28 November 2007

By order of the Board of
CNPC (Hong Kong) Limited
Lau Hak Woon
Company Secretary

Hong Kong, 15 January 2010

** For identification only*

The exchange rate adopted in this announcement for illustration purposes only is US\$1.00= HK\$7.78.

As at the date of this announcement, the board of directors of the Company comprises Mr. Li Hualin as Chairman, Mr. Zhang Bowen as the Chief Executive Officer, Mr. Cheng Cheng as Executive Director and Dr. Lau Wah Sum, Mr. Li Kwok Sing Aubrey and Dr. Liu Xiao Feng as Independent Non-Executive Directors.